



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Prepared Remarks of Senator Chuck Grassley, of Iowa
Chairman, Senate Committee on Finance
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A refreshing new era has begun in Washington. Yesterday marked the 100th day of George W. Bush's presidency. What a difference 100 days make. The President's leadership and his plain-spoken ways have changed the culture. Gridlock and cynicism are out. Bipartisanship and getting things done are in.

If you want an example of this, just look at how far we've come on tax relief. Only five months ago, Congress was knee-deep in a partisan debate over whether there should be any tax cut at all. Now, we've passed a Senate budget resolution calling for a \$1.2 billion tax cut. That passed with the support of 15 Democratic senators. That's tangible proof that things have changed in Washington.

Congress and the President are now working together, in a focused and productive way, to accomplish a long list of quality-of-life initiatives for Americans. Tax relief is on the table now. We're in negotiations over the House and Senate budget resolutions. I can't really say when those negotiations will end or what the final tax cut number may be. Regardless of the number, it's a breath of fresh air to act on tax relief.

I'm enjoying that breath of fresh air at the Finance Committee. Under the budget resolution, our first reconciliation bill must be reported to the full Senate by Friday, May 18th. That's about three weeks from now. If that date holds in conference, Senator Baucus and I hope to develop and release a bipartisan Chairman's mark by Monday, May 7th. On Wednesday, May 9th, we'd like to begin the mark-up. I hope we'd report out the Chairman's mark that same day. We'd like to have floor action completed and the bill sent to the President for his signature by the Memorial Day recess.

Now, this is an ambitious schedule. But we're very serious about providing tax relief to the American people. And I know Senator Baucus and the Democrats are also anxious to support tax relief. So I think this is an environment where we can get some things done.

Now, a word about the tax bill. As I'm sure you've seen, the focus of the President's tax proposal is relief for individual taxpayers, not large corporations. It's important to provide this relief to individuals. Here's a shocking fact. Almost all of the current and future surplus is from the surge in individual tax collections after the 1993 Clinton tax increase. Right now, individual income tax collections are at the highest level ever in our country's history. In a time of great peace and

prosperity, it's inexcusable that the federal government is taking such a large share of working Americans' income. It just doesn't pass the common sense test.

We have to address that problem first. But we may have a chance to look at more tax issues later in the year. The Finance Committee is reviewing several business tax issues, including retirement savings. Senator Baucus and I just introduced a retirement savings package. It's similar to the package that was unanimously reported out of the Finance Committee last fall. We also need to update our depreciation rules, and review the INDOPCO issue. The President wants to make permanent the Research and Experimentation Credit. The tax moratorium on electronic commerce expires this fall. In the international tax area, we need to renew the active financing exception and review the SubPart F rules. I need to add to this list the corporate alternative minimum tax. We just had a simplification hearing last week. The Joint Tax Committee and all of our witnesses strongly recommended its repeal. We need to take a look.

On trade, I'd like to say a few words about two important issues. First, the effort to renew the President's trade promotion authority. And, second, how to deal with labor and the environment. On trade promotion authority, I want to see the Finance Committee mark up and approve a bill this summer. Then Congress could approve final legislation by the year's end.

Action this year is critical. We'd have trouble taking up a political hot potato like this in an election year. This year is our best chance until 2003. The Finance Committee has a unique opportunity to mark up this trade bill in June. We hope to finish our work on taxes in May. In July, we plan to take up prescription drugs and other issues. That means June is our ideal trade month. What's magical about June? It's earlier instead of later. You know how Congress likes to let ideas germinate. We like the hurry-up-and-wait strategy. Hurry up to draft a bill; wait to find the best way to move it.

The first step toward moving a bill is getting a consensus on free trade. I mean a consensus both in Congress and among the American people. We all have to agree that trade negotiating authority for the President is vital to Americans' quality of life.

I know you and your members believe this. So today I'm giving you a challenge. Help us build a consensus for free trade. Get involved right away. Make your voice heard. Talk to your member companies. Ask them to help. Reach out to consumers who buy your products. Reach out to the workers who make the products your member companies export to the world. Explain to them why we're all better off because of international trade. But also tell them what happens when American leadership fails.

Just a few generations ago, protectionism and international financial instability led to the Great Depression. We shouldn't forget the hard lessons of the past. The Chamber can be very effective in building support for trade authority for the President. You were a great help with the Africa and Caribbean Basin Initiative trade bill last year and with Permanent Normal Trade Relations. Please offer a repeat performance. With your help, the Finance Committee can give the President the broadest possible trade negotiating authority. That means on a bilateral, regional and multilateral basis.

Next, let me say a word about labor and the environment. We need to think creatively about how to bridge the differences on these issues. We also have to be flexible. I'm opposed to requiring sanctions to enforce labor and environmental provisions in trade agreements. However, there are

several options worth considering. On renewing trade promotion authority, the 1988 Act is a good model. The 1988 Act set out a series of key negotiating objectives, including one relating to worker rights. It required the President to tell Congress how the implementing bill he submitted makes progress on achieving these objectives.

There are other measures we can take, and should take, outside of trade agreements, to support worker rights and preserve the environment. Flexibility and innovation are key principles. Let me leave you with this thought: trade liberalization is always a work in progress. We shouldn't take our achievements for granted. Instead, we should always work like we might fail.

Those are my ideas on taxes and trade. Regardless of the issue on our plates, it's refreshing to have a new face at the head of the table. Recently I looked at two different headlines from The Washington Post. On April 9, 1993, the news was, "Clinton Submits '94 Budget With Defense Cuts, Tax Hikes." On March 9, 2001, The Post said: "House Passes Bush Tax Cut; President Gets First Legislative Victory; 10 Democrats Vote for Bill."

What makes the difference? A new face at 1600 Pennsylvania Avenue, a person with new ideas, a new philosophy and a new vision for America. What is that philosophy? Let me read you a quote from our President, something he said as Governor: "Government does not create wealth. The entrepreneurial spirit of hard-working Americans creates wealth. But Government can help create an environment in which that spirit flourishes — an environment that promotes innovation, risk-taking, and equal opportunity."

I'm grateful to be part of this new environment, and I hope I can deliver my share for hard-working Americans.